

**CITY OF MITCHELL**  
**AUDIT REPORT**  
**DECEMBER 31, 2009**

**CITY OF MITCHELL  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council  
City of Mitchell  
Mitchell, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mitchell, South Dakota, as December 31, 2009, and for the year then ended, which collectively comprise the City of Mitchell's basic financial statements and have issued my report thereon dated April 29, 2010. My report was modified to include a reference to other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the "Housing and Redevelopment Commission of the City of Mitchell, SD", as described in my report of the City of Mitchell's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance or other matters that are reported on separately by those auditors.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Mitchell's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

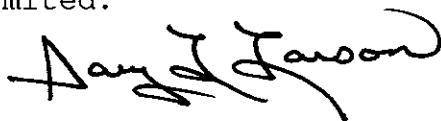
My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing board and information of the management of the City of Mitchell the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, as required by OMB Circular A-133 and SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David J. Hanson". The signature is fluid and cursive, with the first name "David" and last name "Hanson" clearly distinguishable.

April 29, 2010

# Gary L. Larson, CPA

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council  
City of Mitchell  
Mitchell, South Dakota

### Compliance

I have audited the compliance of the City of Mitchell, South Dakota, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The City of Mitchell's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mitchell's management. My responsibility is to express an opinion on the City of Mitchell's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mitchell's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Mitchell's compliance with those requirements.

The financial statements contained in this report include, as a component unit, the financial transactions of the Housing Authority of the City of Mitchell, which is a legally separate entity that is required by Governmental Accounting Standards Board Statement Number 14 to be included as part of the financial reporting entity of the City of Mitchell. The Housing Authority

fulfills its own audit requirements including single audit requirements, apart from those of the City of Mitchell. I did not audit compliance applicable to any of the federal awards of the federal awards of the Housing authority, and, these federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the City of Mitchell. The Housing Authority was audited in accordance with the requirements of OMB Circular A-133 by other auditors and their report on compliance with requirements applicable to each major program and internal control over compliance with respect to federal programs is contained in their separately issued single audit report on the Housing Authority as of and for the year ended June 30, 2009.

My tests of compliance included tests relating to the use of Airport revenue and of the propriety of the disposition of airport funds or transfers to a sponsor. No instances of noncompliance of these requirements were noted. No funds were transferred out of the Airport Fund or otherwise paid to sponsors of the Airport Fund.

In my opinion, the City of Mitchell complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

#### Internal Control over Compliance

The management of the City of Mitchell is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of Mitchell's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

As discussed in paragraph three above, The Housing Authority of the City of Mitchell fulfills its own audit requirements, including single audit requirements, apart from those of the City of Mitchell. Accordingly, I did not perform tests of controls over compliance applicable to any of the federal awards of the Housing Authority. My report on internal controls over compliance is limited to the legal entity known as the City of Mitchell.

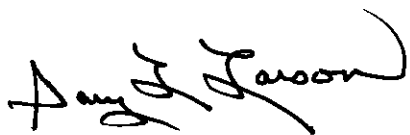


A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as described above.

This report is intended solely for the information and use of the governing board and management of the City of Mitchell, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, as required by OMB Circular A-133 and SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Amy J. Larson". The signature is fluid and cursive, with the first name "Amy" and last name "Larson" clearly distinguishable.

April 29, 2010

# Gary L. Larson, CPA

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Mitchell  
Mitchell, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mitchell, South Dakota, as of December 31, 2009, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mitchell's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the "Housing and Redevelopment Commission of the City of Mitchell, SD", which represent 100% of the total assets as of June 30, 2009 and 100% of the total revenues for the year then ended of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinions on the financial statements, insofar as they relate to the amounts included for the "Housing and Redevelopment Commission of the City of Mitchell, SD" in the component unit column, are based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mitchell, South Dakota, at December 31, 2009, the respective changes in financial position and cash flows where applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

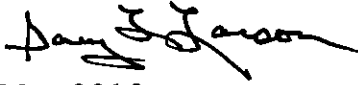
In accordance with the Government Auditing Standards, I have also issued my report dated April 29, 2010 on my consideration of the City of Mitchell's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison and OPEB Funding Progress information on pages 72 through 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The City of Mitchell has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mitchell's financial statements taken as a whole. The Schedule of Expenditures of Federal Awards, which is required by the U. S. Office of Budget and Management Circular A-133, Audits of States,

Local Governments and Non-profit Organizations is not a required part of the basic financial statements of the City of Mitchell. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Gary E. Larson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

April 29, 2010

**CITY OF MITCHELL  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
<b>ASSETS:</b>		
Cash	\$5,208,518	\$1,633,901
Investments	1,512,000	578,736
Accounts receivable	1,534,558	1,537,392
Internal balances	55,000	(55,000)
Inventories	258,625	248,350
Other assets	724,000	0
Restricted assets:		
Cash and cash equivalents	134,102	400,165
Investments	950,000	701,633
Deposits	226,377	0
Capital assets:		
Land and construction in progress	4,656,206	12,083,766
Other capital assets, net of depreciation	33,638,684	42,618,881
<b>TOTAL ASSETS</b>	<b>\$48,898,070</b>	<b>\$59,747,824</b>
<b>LIABILITIES:</b>		
Accounts payable	\$560,283	\$679,483
Other current liabilities	580,705	0
Noncurrent liabilities:		
Due within one year	2,005,173	570,914
Due in more than one year	18,177,193	6,304,559
<b>TOTAL LIABILITIES</b>	<b>21,323,354</b>	<b>7,554,956</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	28,488,644	48,630,602
Restricted for:		
Debt service	1,084,102	400,165
Risk pool capitalization contribution	226,377	0
Other	0	0
Unrestricted	(2,224,407)	3,162,101
<b>TOTAL NET ASSETS</b>	<b>27,574,716</b>	<b>52,192,868</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$48,898,070</b>	<b>\$59,747,824</b>

The accompanying notes to financial statements  
are an integral part of this statement.

TOTAL	Component Unit
\$6,842,419	\$946,567
2,090,736	6,412
3,071,950	2,174
0	0
506,975	0
724,000	14,226
534,267	126,113
1,651,633	0
226,377	0
16,739,972	130,880
76,257,565	949,088
<u>\$108,645,894</u>	<u>\$2,175,460</u>

\$1,239,766	\$11,834
580,705	27,223
2,576,087	9,071
24,481,752	1,411
<u>28,878,310</u>	<u>49,539</u>

77,119,246	1,079,968
1,484,267	0
226,377	0
0	126,133
937,694	919,820
<u>79,767,584</u>	<u>2,125,921</u>
<u>\$108,645,894</u>	<u>\$2,175,460</u>

**CITY OF MITCHELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$1,508,031	\$2,504	\$0
Public safety	5,139,480	407,140	230,165
Public works	2,966,369	163,467	0
Health and welfare	2,601,290	1,169,714	1,235,931
Culture and recreation	3,386,989	853,641	0
Conservation and development	494,400	0	0
*Interest on long-term debt	1,410,286	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>17,506,845</b>	<b>2,596,466</b>	<b>1,466,096</b>
Business-type Activities:			
Water	2,224,709	2,412,064	0
Sewer	947,597	1,082,909	0
Airport	277,636	86,210	0
Sanitation	1,824,169	1,855,845	0
Corn Palace	1,727,991	978,032	0
Golf	385,327	431,391	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,387,429</b>	<b>6,846,451</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$24,894,274</b>	<b>\$9,442,917</b>	<b>\$1,466,096</b>
Component Unit:			
Housing and Redevelopment Commission	\$857,781	\$324,615	\$511,312

\* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND  
CHANGE IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$1,505,527)	\$0	(\$1,505,527)	\$0
0	(4,502,175)	0	(4,502,175)	0
12,033	(2,790,869)	0	(2,790,869)	0
78,765	(116,880)	0	(116,880)	0
0	(2,533,348)	0	(2,533,348)	0
0	(494,400)	0	(494,400)	0
0	(1,410,286)	0	(1,410,286)	0
90,798	(13,353,485)	0	(13,353,485)	0
			0	
			0	
0	0	187,355	187,355	0
0	0	135,312	135,312	0
6,212,620	0	302,144	302,144	0
270,468	0	(749,959)	(749,959)	0
0	0	6,021,194	6,021,194	0
0	0	46,064	46,064	0
6,483,088	0	5,942,110	5,942,110	0
\$6,573,886	(\$13,353,485)	\$5,942,110	(\$7,411,375)	\$0
\$123,497	\$0	\$0	\$0	\$101,643



**CITY OF MITCHELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**GENERAL REVENUES:**

Property taxes  
Sales taxes  
State shared revenues  
Unrestricted investment earnings  
Other general revenues

**TRANSFERS**

Total General Revenues  
and Transfers

Change in net assets

Net Assets-beginning, previously reported  
Corrections (Note 17)

Net Assets-beginning, as restated

**NET ASSETS-ending**

The accompanying notes to financial statements are an  
integral part of this statement.

NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS

Governmental Activities	Business-type Activities	Total	Component Unit
\$4,018,424	\$0	\$4,018,424	\$0
9,843,279	0	9,843,279	0
419,481	0	419,481	0
51,876	19,604	71,480	16,248
1,001,188	0	1,001,188	525
(75,450)	75,450	0	0
15,258,798	95,054	15,353,852	16,773
1,905,313	6,037,164	7,942,477	118,416
25,799,062	46,155,704	71,954,766	2,007,505
(129,659)	0	(129,659)	0
25,669,403	46,155,704	71,825,107	2,007,505
\$27,574,716	\$52,192,868	\$79,767,584	\$2,125,921

**CITY OF MITCHELL**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**

	General Fund	Park Fund	Other Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$2,371,950	\$200,407	\$1,684,873
Investments	1,425,000	0	87,000
Taxes receivable-			
Delinquent	56,762	0	0
Accounts receivable	54,521	11,949	103,903
Special assessments receivable-			
Current	545	0	22,945
Delinquent	1,639	0	1,820
Deferred	0	0	69,998
Due from other funds	111,891	0	0
Due from other governments	1,137,164	0	73,312
Supply inventory	227,255	26,763	4,607
Deposits	226,377	0	0
Restricted cash	6,462	0	127,640
Restricted investments	950,000	0	0
Notes receivable	724,000	0	0
<b>TOTAL ASSETS</b>	<b>\$7,293,566</b>	<b>\$239,119</b>	<b>\$2,176,098</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$251,004	\$43,719	\$123,741
Due to other government	129,659	0	0
Due to other funds	0	0	56,891
Deferred revenue	1,148,839	0	141,386
<b>Total Liabilities</b>	<b>1,529,502</b>	<b>43,719</b>	<b>322,018</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Deposits	226,377	0	0
Debt service	956,462	0	127,640
Inventory	227,255	26,763	4,607
Long-term note	500,000	0	0
Unreserved:			
Designated for capital accumulations	1,126,754	0	0
Designated for 2010 budget	0	93,880	0
Undesignated	2,727,216	74,757	0
Special revenue funds	0	0	1,383,766
Debt service fund	0	0	328,175
Capital project funds	0	0	9,892
<b>Total Fund Balances</b>	<b>5,764,064</b>	<b>195,400</b>	<b>1,854,080</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,293,566</b>	<b>\$239,119</b>	<b>\$2,176,098</b>

The accompanying notes to financial statements are an  
integral part of this statement.

Total  
Governmental  
Funds

---

\$4,257,230  
1,512,000

56,762  
170,373

23,490  
3,459  
69,998  
111,891  
1,210,476  
258,625  
226,377  
134,102  
950,000  
724,000

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\$9,708,783

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\$418,464  
129,659  
56,891  
1,290,225

---

1,895,239

---

226,377  
1,084,102  
258,625  
500,000

1,126,754  
93,880  
2,801,973  
1,383,766  
328,175  
9,892

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7,813,544

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\$9,708,783

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**CITY OF MITCHELL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**ASSETS**  
**DECEMBER 31, 2009**

Total Fund Balances-Government Funds	\$7,813,544
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	38,294,890
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Long-term liabilities, including bonds payable, capital leases payable, accrued leave payable and accrued other post-employment benefits payable are not due and payable in the current period and therefore are not reported in the funds	(20,182,366)
--	--------------

Property taxes receivable and special assessments are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net assets, but in the funds statement of net assets, "available" (within a 30 day period) are offset with deferred revenue	153,709
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Sales tax collected by the State on behalf of the City received after the "availability" period is deferred in the funds statement	912,516
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Accrued interest on long-term debt is not recorded in the funds statement because it is on the modified accrual basis of accounting	(70,269)
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	<u>652,692</u>
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Net Assets-Governmental Funds	<u><u>\$27,574,716</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MITCHELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Park Fund	Other Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$3,782,712	\$0	\$213,227
General sales taxes	8,919,746	0	704,757
Gross receipts tax	190,285	0	0
Amusement taxes	1,572	0	0
911 telephone surcharge	0	0	350,154
Penalties and interest	6,300	0	0
Licenses and permits	148,421	0	0
Intergovernmental Revenue			
Federal grants	230,165	0	1,076,507
State grants	0	0	159,424
State shared revenues	492,004	0	0
County shared revenues	5,842	0	0
Charges for Goods or Services			
General government	2,504	0	0
Public safety	13,264	0	0
Highways and streets	8,193	0	0
Health	0	0	546,205
Culture and recreation	0	834,817	0
Ambulance	623,509	0	0
Cemetery	82,751	0	0
Fines and Forfeits			
Court fines	43,722	0	0
Library	0	0	18,824
Miscellaneous Revenue			
Interest earned	50,813	0	1,063
Special assessments	5,081	0	33,544
Contributions from private sources	2,623	78,634	143,193
Other	107,482	3,398	510,013
Total Revenue	<u>\$14,716,989</u>	<u>\$916,849</u>	<u>\$3,756,911</u>

The accompanying notes to financial statements are an  
integral part of this statement.

Total  
Governmental  
Funds

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\$3,995,939

9,624,503

190,285

1,572

350,154

6,300

148,421

1,306,672

159,424

492,004

5,842

0

2,504

13,264

8,193

546,205

834,817

623,509

82,751

43,722

18,824

51,876

38,625

224,450

620,893

---

\$19,390,749

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**CITY OF MITCHELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Park Fund	Other Governmental Funds
Expenditures:			
General Government			
Legislative	\$128,422	\$0	\$0
Executive	27,917	0	0
Elections	4,256	0	0
Financial administration	1,037,505	0	0
Other	138,341	0	0
Public Safety			
Police	2,772,383	0	0
Fire	1,365,595	0	639,736
Other protection	0	0	125,000
Public Works			
Highways and streets	3,123,951	0	0
Cemeteries	210,372	0	0
Health and Welfare			
Health	107,012	0	1,709,063
Humane society	98,650	0	0
Ambulance	429,250	0	0
Culture and Recreation			
Recreation	231,820	1,437,583	0
Parks	0	801,967	0
Libraries	531,475	0	23,942
Auditorium	0	0	5,059
Conservation and Development			
Economic opportunity	183,900	0	310,500
Debt Service	2,033,616	0	1,044,194
Capital Outlay	0	0	555,229
Total Expenditures	<u>\$12,424,465</u>	<u>\$2,239,550</u>	<u>\$4,412,723</u>
Excess (deficiency) of Revenues over Expenditures	2,292,524	(1,322,701)	(655,812)
Other Financing Sources (Uses):			
Transfers-in	575,000	1,350,000	734,764
Transfers-out	(2,554,764)	0	(180,450)
Proceeds of long-term debt	6,235,000	0	96,791
Payment to refunded debt escrow agent	(6,145,163)	0	0
Net Change in Fund Balances	<u>402,597</u>	<u>27,299</u>	<u>(4,707)</u>
FUND BALANCE, JANUARY 1, 2009, previously reported	5,491,126	168,101	1,858,787
Adjustment, (Note 17)	<u>(129,659)</u>	<u>0</u>	<u>0</u>
FUND BALANCE, JANUARY 1, 2009, as adjusted	<u>5,361,467</u>	<u>168,101</u>	<u>1,858,787</u>
FUND BALANCE, DECEMBER 31, 2009	<u><u>\$5,764,064</u></u>	<u><u>\$195,400</u></u>	<u><u>\$1,854,080</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.



Total  
Governmental  
Funds

---

\$128,422  
27,917  
4,256  
1,037,505  
138,341

2,772,383  
2,005,331  
125,000

3,123,951  
210,372

1,816,075  
98,650  
429,250

1,669,403  
801,967  
555,417  
5,059

494,400  
3,077,810  
555,229

---

\$19,076,738

---

314,011

2,659,764  
(2,735,214)  
6,331,791  
(6,145,163)

---

425,189

---

7,518,014  
(129,659)

---

7,388,355

---



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\$7,813,544

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**CITY OF MITCHELL**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Net Changes in Fund Balances-Total Governmental Funds \$425,189

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets  
is allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which depreciation  
exceeded capital outlays in the current period (97,584)

Governmental funds do not report the value of donated property

This value is reflected in the Statement of Activities. 78,765

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net assets. 7,807,934

Proceeds of long-term debt are reported as revenues in the funds  
statements, but are liabilities in the Statement of Activities. (6,331,791)

Property tax revenues are reported in the period to be financed by  
the property tax levy for both the governmental funds and the  
governmental activities, but in the funds statement, any amounts  
that are not "available" are offset with deferred revenue.

Special assessments are reported in the period of the levy, but  
amounts not "available" are deferred in the funds statement (10,407)

Sales tax collected by the State on behalf of the City remitted after the "period of  
availability" is reported as revenue in the Statement of Activities. 28,501

Governmental funds do not reflect the change in accrued leave,  
or other post-employment benefits, but the statement  
of activities reflects the change in these through expenditures. (37,092)

Internal service funds are used by management to charge the  
costs of certain activities, such as insurance to individual  
funds. The net income of the internal service funds  
is reported with governmental activities. 37,045

The statement of activities reported accrued interest payable.

This change did not effect the governmental funds because  
they are reported on the modified accrual basis of accounting 4,753

Change in Nets Assets of Governmental Activities \$1,905,313

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MITCHELL**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	ENTERPRISE		
	Water Fund	Sewer Fund	Airport Fund
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$24,244	\$169,172	\$0
Investments	500,000	0	0
Accounts receivable	342,410	312,077	925
Due from other funds	125,000	0	0
Due from other governments	0	0	592,220
Supply inventory	157,870	12,181	0
<b>Total Current Assets</b>	<b>1,149,524</b>	<b>493,430</b>	<b>593,145</b>
<b>Noncurrent Assets:</b>			
Restricted cash and cash equivalents	372,225	0	0
Restricted investments	0	0	0
<b>Capital Assets:</b>			
Land	154,027	148,092	39,743
Buildings	8,881,769	291,263	63,600
Improvements other than buildings	23,758,058	9,053,128	10,378,055
Machinery and equipment	3,160,285	4,315,981	502,229
Construction in progress	2,258,569	1,804,304	6,220,788
Accumulated depreciation	(9,919,178)	(5,125,414)	(9,164,921)
<b>Total Noncurrent Assets</b>	<b>28,665,755</b>	<b>10,487,354</b>	<b>8,039,494</b>
<b>TOTAL ASSETS</b>	<b>\$29,815,279</b>	<b>\$10,980,784</b>	<b>\$8,632,639</b>

The accompanying notes to financial statements are an  
integral part of this statement.

FUNDS

Sanitation Fund	Corn Palace Funds	Other Funds	Total	Internal Service Fund
\$986,402	\$294,629	\$159,454	\$1,633,901	\$951,288
78,736	0	0	578,736	0
285,014	2,496	135	943,057	0
267,651	0	0	392,651	0
2,115	0	0	594,335	0
15,159	43,380	19,760	248,350	0
1,635,077	340,505	179,349	4,391,030	951,288
27,940	0	0	400,165	0
701,633	0	0	701,633	0
550,373	50,650	169,843	1,112,728	0
1,114,475	3,531,837	314,500	14,197,444	0
1,991,391	55,053	1,171,581	46,407,266	0
1,362,915	220,149	308,739	9,870,298	0
687,377	0	0	10,971,038	0
(1,461,204)	(1,103,929)	(1,081,481)	(27,856,127)	0
4,974,900	2,753,760	883,182	55,804,445	0
\$6,609,977	\$3,094,265	\$1,062,531	\$60,195,475	\$951,288

**CITY OF MITCHELL**  
**BALANCE SHEET - PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	ENTERPRISE		
	Water Fund	Sewer Fund	Airport Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$44,041	\$128,989	\$297,634
Due to other funds	0	125,000	267,651
Incurred but not reported claims payable	0	0	0
Current portion of long-term debt	453,956	9,402	641
<b>Total Current Liabilities</b>	<b>497,997</b>	<b>263,391</b>	<b>565,926</b>
 Non-current Liabilities:			
Bonds payable:			
Revenue	2,504,628	1,285,996	0
Accrued leave payable	17,532	11,491	783
Accrued landfill closure and postclosure costs	0	0	0
Net OPEB Obligation	1,548	1,078	138
<b>Total Non-current Liabilities</b>	<b>2,523,708</b>	<b>1,298,565</b>	<b>921</b>
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	25,349,291	9,201,358	8,039,494
Restricted net assets restricted for:			
Revenue bond debt service	372,225	0	0
Unrestricted net assets	1,072,058	217,470	26,298
<b>Total Net Assets</b>	<b>26,793,574</b>	<b>9,418,828</b>	<b>8,065,792</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$29,815,279</b>	<b>\$10,980,784</b>	<b>\$8,632,639</b>

The accompanying notes to financial statements are an  
integral part of this statement.

FUNDS

Sanitation Funds	Corn Palace Fund	Other Funds	Total	Internal Service Fund
\$185,817	\$21,902	\$1,100	\$679,483	\$141,819
0	0	55,000	447,651	0
0	0	0	0	156,777
96,245	6,483	4,187	570,914	0
282,062	28,385	60,287	1,698,048	298,596
1,753,579	7,923	0	5,552,126	0
9,795	0	5,118	44,719	0
701,633	0	0	701,633	0
1,548	1,465	304	6,081	0
2,466,555	9,388	5,422	6,304,559	0
2,403,517	2,753,760	883,182	48,630,602	0
27,940	0	0	400,165	0
1,429,903	302,732	113,640	3,162,101	652,692
3,861,360	3,056,492	996,822	52,192,868	652,692
\$6,609,977	\$3,094,265	\$1,062,531	\$60,195,475	\$951,288

**CITY OF MITCHELL**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	ENTERPRISE		
	Water Fund	Sewer Fund	Airport Fund
OPERATING REVENUES:			
Charges for goods and services	\$2,412,064	\$1,082,909	\$86,210
Health insurance contributions	0	0	0
Total Operating revenue	<u>2,412,064</u>	<u>1,082,909</u>	<u>86,210</u>
OPERATING EXPENSES:			
Personal services	594,014	354,883	65,854
Cost of sales	427,112	0	0
Other current expense	398,154	365,937	94,014
Depreciation	637,630	226,777	117,768
Total Operating Expenses	<u>2,056,910</u>	<u>947,597</u>	<u>277,636</u>
Operating Income (Loss)	<u>355,154</u>	<u>135,312</u>	<u>(191,426)</u>
Non-operating Revenue (Expense)			
Interest earned	16,045	3,559	0
Interest expense	(167,799)	0	0
Total Non-operating Revenue	<u>(151,754)</u>	<u>3,559</u>	<u>0</u>
Net Income (Loss) before Capital Contributions and Transfers	203,400	138,871	(191,426)
Capital contributions	0	0	6,212,620
Transfers-in	0	0	70,000
Transfers-out	<u>(375,000)</u>	<u>(125,000)</u>	<u>0</u>
Change in Net Assets	(171,600)	13,871	6,091,194
NET ASSETS, BEGINNING	<u>26,965,174</u>	<u>9,404,957</u>	<u>1,974,598</u>
NET ASSETS, ENDING	<u><u>\$26,793,574</u></u>	<u><u>\$9,418,828</u></u>	<u><u>\$8,065,792</u></u>

The accompanying notes to financial statements are an  
integral part of this statement.

FUNDS

Sanitation Fund	Corn Palance Fund	Other Funds	Total	Internal Service Fund
\$1,855,845	\$978,032	\$431,391	\$6,846,451	\$0
0	0	0	0	1,641,737
1,855,845	978,032	431,391	6,846,451	1,641,737
559,448	630,037	200,639	2,404,875	0
0	187,199	0	614,311	0
1,009,149	829,233	141,653	2,838,140	1,604,997
190,588	81,522	43,035	1,297,320	0
1,759,185	1,727,991	385,327	7,154,646	1,604,997
96,660	(749,959)	46,064	(308,195)	36,740
0	0	0	19,604	305
(64,984)	0	0	(232,783)	0
(64,984)	0	0	(213,179)	305
31,676	(749,959)	46,064	(521,374)	37,045
270,468	0	0	6,483,088	0
0	580,450	0	650,450	0
(75,000)	0	0	(575,000)	0
227,144	(169,509)	46,064	6,037,164	37,045
3,634,216	3,226,001	950,758	46,155,704	615,647
\$3,861,360	\$3,056,492	\$996,822	\$52,192,868	\$652,692



**CITY OF MITCHELL**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	ENTERPRISE		
	Water Fund	Sewer Fund	Airport Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$2,419,838	\$950,890	\$109,962
Cash receipts for interfund services	23,959	8,373	0
Payments to employees for services	(593,785)	(354,518)	(65,898)
Payments to suppliers	(812,776)	(258,748)	(97,036)
Internal activities-payment to other funds	(966)	(1,302)	(121)
Net Cash Provided (Used) by Operating Activities	1,036,270	344,695	(53,093)
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	0	0	70,000
Transfers (to) other funds	(375,000)	(125,000)	0
Interfund loans	50,000	(50,000)	215,401
Cash Flows from Capital and Related Financing Activities:			
Proceeds of capital debt		1,285,996	
Capital contributions	0	0	5,695,962
Purchase of capital assets	(299,955)	(1,433,964)	(5,928,270)
Debt principal paid	(412,164)	0	0
Debt interest paid	(167,799)	0	0
Cash Flows from Investing Activities:			
Redemption of investments	0	0	0
Cash received for interest	16,045	3,559	0
Net Increase (Decrease) in Cash and Cash Equivalents	(152,603)	25,286	0
Cash and Cash Equivalents Beginning of Year	549,072	143,886	0
Cash and Cash Equivalents End of Year	\$396,469	\$169,172	\$0
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$355,154	\$135,312	(\$191,426)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	637,630	226,777	117,768
Changes in Assets and Liabilities:			
Receivables	31,733	(123,646)	23,752
Inventories	17,826	6,573	0
Accounts and other payables	(6,302)	99,314	(3,143)
Accrued leave and O.P.E.B. payable	229	365	(44)
Net Cash Provided (Used) by Operating Activities	\$1,036,270	\$344,695	(\$53,093)

The accompanying notes to financial statements are an  
integral part of this statement.

## FUNDS

Sanitation Fund	Corn Palace Fund	Other Funds	Total	Internal Service Fund
\$1,822,834	\$975,536	\$431,571	\$6,710,631	\$0
0	0	0	32,332	1,641,737
(559,544)	(629,268)	(199,352)	(2,402,365)	0
(923,347)	(1,018,514)	(137,296)	(3,247,717)	(1,529,148)
0	(7,480)	(192)	(10,061)	0
339,943	(679,726)	94,731	1,082,820	112,589
0	580,450	0	650,450	0
(75,000)	0	0	(575,000)	0
(267,651)	52,250	55,000	55,000	0
			1,285,996	0
268,352	0	0	5,964,314	0
(687,377)	(49,048)	(144,500)	(8,543,114)	0
(156,865)	0	0	(569,029)	0
(64,984)	0	0	(232,783)	0
2,200	0	0	2,200	0
0	0	0	19,604	305
(641,382)	(96,074)	5,231	(859,542)	112,894
1,655,724	390,703	154,223	2,893,608	838,394
\$1,014,342	\$294,629	\$159,454	\$2,034,066	\$951,288
\$96,660	(\$749,959)	\$46,064	(308,195)	\$37,045
190,588	81,522	43,035	1,297,320	0
(33,011)	(2,496)	180	(103,488)	0
(7,079)	321	5,590	23,231	0
92,881	(9,883)	(1,425)	171,442	75,544
(96)	769	1,287	2,510	0
\$339,943	(\$679,726)	\$94,731	\$1,082,820	\$112,589

**CITY OF MITCHELL**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$160,368</u>
<b>Total Assets</b>	<u><u>\$160,368</u></u>
<b>LIABILITIES</b>	
Amounts held for others	<u>\$160,368</u>
<b>Total Liabilities</b>	<u>160,368</u>
<b>NET ASSETS</b>	<u>0</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$160,368</u></u>

The accompanying notes to financial statements  
are an integral part of this statement

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Mitchell consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

Financial statements of the Housing and Redevelopment Commission of the City of Mitchell, SD are discretely presented in the accompanying financial statements under "component units". This financial information is as of and for the year ended June 30, 2009.

The component unit is a governmental unit formed to provide low income housing to residents of the City of Mitchell.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The criteria for including the component unit in the financial reporting entity is that of control over the appointment of members of the governing board of the component unit. The City Council appoints the board members of the component unit, thus having control over it. The City Council has the statutory authority to approve or deny any proposed Commission housing Projects (SDCL 11-7-49 through 49.1, 11-7-53 and 11-7-78) and to approve or disapprove the Housing Commission's intent to issue long-term debt, by disapproving a proposed project to be so financed. (SDCL 11-7-53.2)

The component unit is reported using the accrual basis for accounting.

Separate financial statements for the component unit can be obtained from the City of Mitchell Housing and Redevelopment Commission of Mitchell, South Dakota, or by calling (605)996-6811.

b. Basis of Presentation:

*Government-wide Statements:*

The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between the governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 above.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Park Fund - to account for charges for goods and services of the recreation center, ice skating rinks and other recreational facilities maintained by the City and the related costs of these facilities. This is a major fund.

Entertainment Tax Fund - to account for a 3<sup>rd</sup> cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the City, land acquisition, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). This is not a major fund.

Special Assessment Revolving Fund - to account for the accumulation of prior year's unused special assessment revenues. These funds will be used to finance future projects. This is not a major fund.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E-911 Fund - to provide an emergency "911" operator and related costs of this function. The fund is maintained by user fees collected from customers of telephone companies. This is not a major fund.

RSVP Fund - to account for grant proceeds of the Retired Senior Volunteer Program and related expenditures of this program. This is not a major fund.

Nutrition Fund - to account for grant proceeds of two federal nutrition grants and related expenditures of these programs. This is not a major fund.

Library Fund - to account for library fines and related expenditures. This is not a major fund.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

TIF Funds - to account for the property taxes which may be used only for the payment of the applicable TIF Bonds. The City has 6 of these debt service funds (TIF #4, #5, #7, #8, #9 and #10). None of the "TIF" funds are major funds.

**Capital Project Funds** - capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations or other governments).

Soccer Fund - to account for financial resources to be used for reconstruction of a soccer field. This is not a major fund.



**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TID #10 Capital Project Fund - to account for financial resources to be used for the construction of the TID #10 project. This is not a major fund.

Railroad Avenue Fund - to account for financial resources to be used for reconstruction of the Railroad Revenue project. This is not a major fund.

Event Center Fund - to account for financial resources to be used for the construction of the Events Center project. This is not a major fund.

**PROPRIETARY FUNDS:**

**Enterprise Funds** - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sewer Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

Sanitation Fund - financed primarily by user charges this fund accounts for the operation of the City sanitation system. This is a major fund.

Corn Palace Fund - financed by user charges and entertainment tax this fund accounts for the operation of the Corn Palace. This is a major fund.

Golf Fund - financed by user charges this fund accounts for operation of the City golf course. This is not a major fund.

Airport Fund - financed by federal grants, state grants and user fees this fund accounts for operation of the City airport. This is a major fund.

Internal Services Funds - Internal Services Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary government and its component units or to other governments, on a cost-reimbursement basis. The Health Insurance Fund is the only internal service fund maintained by the City. Internal service funds are never considered to be major funds.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency Funds - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The majority of the Agency Funds account for the activity of Special Assessment projects. Others are for deductions for "Flex plans." Agency funds are never considered to be major funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**Measurement Focus:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

*Fund Financial Statements:*

In the fund financial statements, the "current financial resources" measurement focus and the modified accruals basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of Accounting:**

*Government-wide Financial Statements:*

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

*Fund Financial Statements:*

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Mitchell, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2009 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund so that expenses are reported only in the function to which they relate.

*Fund Financial Statements:*

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

**CITY OF MITCHELL**  
**NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements other than Buildings".

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

The total December 31, 2009 balance of capital assets for governmental activities includes approximately sixty percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total December 31, 2009 balance of capital assets for business-type activities includes approximately seventy percent for which costs were also estimates of the original cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ All	-	-
Buildings	50,000	Straight-line	20-100 years
Improvements	25,000	Straight-line	15-50 years
Machinery and Equipment	5,000	Straight-line	4-20 years

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue and "TIF" bonds payable and capital leases.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.



**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net assets and is displayed in three components:

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the City's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose only investments are in securities described in (a) and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated as its fiscal agent.

The amount reported as deposits and investments includes \$701,633 of the Sanitation Fund which is being held in trust for the purpose of paying closure and post-closure costs relating to the City operated landfill. These assets are restricted as to use, and are not available to the City without prior approval of the State of South Dakota Department of Environment and Natural Resources.

The amount reported as deposits and investments also includes \$1,484,267 of the various funds restricted for debt service.

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

**Custodial Credit Risk - Deposits** - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

**Interest Rate Risk** - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2009, the City had the following investments.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Mutual Funds:			
U. S. Government Money Market Fund			
	Not rated		\$ 780,369
Total Investments - Primary Government			\$ 780,369
Component Unit:			
Mutual Funds:			
Federated Prime Cash			
Obligations Fund	AAAm		6,412
			\$ 6,412

**Concentration of Credit Risk** - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

4. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

*Government-wide Financial Statements:*

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

*Fund Financial Statements:*

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

**6. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**7. CHANGES IN CAPITAL ASSETS**

A summary of changes in fixed assets for the year ended December 31, 2009 follows:

	Balance <u>1/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/09</u>
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
Capital Assets				
Not being				
Depreciated:				
Land	\$ 2,623,502	\$ -	\$ -	\$ 2,623,502
Construction				
in Progress	<u>1,398,304</u>	<u>634,400</u>	<u>-</u>	<u>2,032,704</u>
Totals	<u>4,021,806</u>	<u>634,000</u>	<u>-</u>	<u>4,656,206</u>
Capital Assets				
Being Depreciated				
Buildings	14,500,984	-	-	14,500,984
Improvements	19,965,116	436,097	-	20,401,213
Equipment	<u>9,842,524</u>	<u>626,114</u>	<u>-</u>	<u>10,468,638</u>
Totals	<u>44,308,624</u>	<u>1,062,211</u>	<u>-</u>	<u>45,370,835</u>
Less accumulated				
Depreciation for:				
Building	2,265,839	285,382	-	2,551,321
Improvements	3,060,931	343,955	-	3,404,886
Equipment	<u>4,689,851</u>	<u>1,086,093</u>	<u>-</u>	<u>5,775,944</u>
Total	<u>10,016,721</u>	<u>1,715,430</u>	<u>-</u>	<u>11,732,151</u>

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/09	Increases	Decreases	Balance 12/31/09
Total Capital Assets being Depreciated-				
Net	\$34,291,903	\$ (653,219)	\$ -	\$33,638,684
Governmental Activity Capital Assets				
Net	\$38,313,709	\$ (18,819)	\$ -	\$38,294,890

Depreciation expense was charged to functions as follows:

General Government	\$ 171,543
Public Safety	531,783
Public Works	394,549
Health and Welfare	257,315
Culture and Recreation	360,240
	<u>\$1,715,430</u>

	Balance 1/1/09	Increases	Decreases	Balance 12/31/09
<b>Business-type Activities:</b>				
Capital Assets Not being Depreciated				
Land	\$ 1,112,728	\$ -	\$ -	\$ 1,112,728
Construction in Progress	2,360,767	8,610,271	-	10,971,038
Total	3,473,495	8,610,271	-	12,083,766

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/09	<u>Increases</u>	<u>Decreases</u>	Balance 12/31/09
Capital Assets				
Being Depreciated:				
Buildings	\$14,197,444	\$ -	\$ -	\$14,197,444
Improvements	46,407,266	-	-	46,407,266
Equipment	9,644,935	225,363	-	9,870,298
Totals	<u>70,249,645</u>	<u>225,363</u>	<u>-</u>	<u>70,475,008</u>
Less accumulated				
Depreciation for:				
Building	4,788,153	274,406	-	5,062,559
Improvements	15,439,262	721,911	-	16,161,173
Equipment	6,331,392	301,003	-	6,632,395
Total	<u>26,558,807</u>	<u>1,297,320</u>	<u>-</u>	<u>27,856,127</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>43,690,838</u>	<u>(1,071,957)</u>	<u>-</u>	<u>42,618,881</u>
Business-type Activity				
Capital Assets				
Net	<u>\$47,164,333</u>	<u>\$7,538,314</u>	<u>\$ -</u>	<u>\$54,702,647</u>

Depreciation expense was charged to functions as follows:

Water	\$ 637,630
Sewer	226,777
Airport	117,768
Sanitation	190,588
Corn Palace	81,522
Golf	43,035
	<u>\$1,297,320</u>



**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

7. CHANGES IN CAPITAL ASSETS (continued)

Construction Work in Progress at December 31, 2009 is composed of the following:

Governmental Activities:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/09</u>	<u>Committed</u>	<u>Required future Financing</u>
Shooting Range	\$ 100,000	\$ 93,780	\$ 6,220	\$ -
Bike Path	1,500,000	84,000	1,415,777	-
Railroad Avenue	650,000	475,852	174,148	-
Soccer Complex	1,500,000	1,247,408	252,592	-
Hanson Avenue	<u>280,000</u>	<u>131,441</u>	<u>148,559</u>	<u>-</u>
Total	<u>\$4,030,000</u>	<u>\$2,032,704</u>	<u>\$1,997,296</u>	<u>-</u>

Business-type Activities:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended through 12/31/09</u>	<u>Committed</u>	<u>Required future Financing</u>
I-90 Water Tower	\$2,500,000	\$2,177,794	\$ 322,206	\$ -
Cell #2	700,000	687,377	12,623	-
Railroad Avenue	625,000	166,498	458,502	-
Lift Stations	1,760,000	1,718,581	41,419	-
Airport Improvements	<u>6,917,000</u>	<u>6,220,788</u>	<u>696,212</u>	<u>-</u>
Total	<u>\$12,502,000</u>	<u>\$10,971,038</u>	<u>\$1,530,962</u>	<u>-</u>

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the year ended December 31, 2009 is as follows:

	Balance <u>07/01/08</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/09</u>
Capital Assets				
Not being				
Depreciated:				
Land	\$ 20,239	\$ -	\$ -	\$ 20,239
Construction				
Work in				
Progress	<u>-</u>	<u>110,641</u>	<u>-</u>	<u>110,641</u>
Total	<u>20,237</u>	<u>110,641</u>	<u>-</u>	<u>130,880</u>
Capital Assets				
Being Depreciated				
Buildings	4,318,875	8,699	-	4,327,574
Equipment	<u>202,877</u>	<u>23,564</u>	<u>20,175</u>	<u>206,266</u>
Totals	<u>\$4,521,752</u>	<u>\$ 32,263</u>	<u>\$ 20,175</u>	<u>\$4,533,840</u>
Less accumulated				
Depreciation:				
Buildings	3,261,223	159,449	-	3,420,672
Equipment	<u>172,767</u>	<u>10,580</u>	<u>19,267</u>	<u>164,080</u>
Totals	<u>3,433,990</u>	<u>170,029</u>	<u>19,267</u>	<u>3,584,752</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>1,087,762</u>	<u>(137,766)</u>	<u>(908)</u>	<u>\$ 949,088</u>
Component Unit				
Capital Assets-				
Net	<u>\$1,108,001</u>	<u>\$ (27,125)</u>	<u>\$ (908)</u>	<u>\$1,079,968</u>

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government:</b>					
<b>Government Activities:</b>					
Bonds Payable:					
Revenue	\$18,296,979	\$6,331,791	\$7,601,445	\$17,027,325	\$1,633,745
Financing (Capital Acquisition)					
Leases	<u>2,911,340</u>	<u>-</u>	<u>206,489</u>	<u>2,704,851</u>	<u>216,512</u>
Total Debt	<u>\$21,208,319</u>	<u>\$6,331,791</u>	<u>\$7,807,934</u>	<u>\$19,732,176</u>	<u>\$1,850,257</u>
Accrued Leave	<u>356,311</u>	<u>174,542</u>	<u>188,156</u>	<u>342,697</u>	<u>154,916</u>
O.P.E.B.	<u>56,787</u>	<u>50,706</u>	<u>-</u>	<u>107,483</u>	<u>-</u>
Total Governmental Activities	<u>\$21,621,417</u>	<u>\$6,557,039</u>	<u>\$7,996,090</u>	<u>\$20,182,366</u>	<u>\$2,005,173</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue	\$ 5,283,594	\$1,285,996	\$ 497,545	\$ 6,072,045	\$ 527,842
Financing (Capital Acquisition)					
Leases	<u>71,485</u>	<u>-</u>	<u>71,485</u>	<u>-</u>	<u>-</u>
Total Debt	<u>5,355,079</u>	<u>1,285,996</u>	<u>569,030</u>	<u>6,072,045</u>	<u>527,842</u>
Accrued Compensated Absences- Business-type					
Funds	<u>99,285</u>	<u>46,639</u>	<u>50,210</u>	<u>95,714</u>	<u>43,072</u>
O.P.E.B.	<u>-</u>	<u>6,081</u>	<u>-</u>	<u>6,081</u>	<u>-</u>

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Total Business-type

Activities	<u>5,454,364</u>	<u>1,338,716</u>	<u>619,240</u>	<u>\$ 6,173,840</u>	<u>570,914</u>
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TOTAL PRIMARY

GOVERNMENT	<u>\$27,075,781</u>	<u>\$7,895,755</u>	<u>\$8,615,330</u>	<u>\$26,356,206</u>	<u>\$2,576,087</u>
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**Component Unit:**

Accrued Compensated

Absences	<u>\$ 6,398</u>	<u>\$ 10,183</u>	<u>\$ 6,099</u>	<u>\$ 10,482</u>	<u>\$ 9,071</u>
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TOTAL COMPONENT

UNIT	<u>\$ 6,398</u>	<u>\$ 10,183</u>	<u>\$ 6,099</u>	<u>\$ 10,482</u>	<u>\$ 9,071</u>
------	-----------------	------------------	-----------------	------------------	-----------------

During 2009 the City issued \$6,235,000 of 2% Series 2009 Refunding Bonds. The proceeds of there bonds were put into an escrow account to pay-off \$5,735,000 of 5.025% Series 2000A Sales Tax Revenue Bonds. This resulted in a saving of \$320,735 of interest over the life of the debt and an economic gain of \$271,095. As of December 31, 2009 the escrow account held \$6,002,631 and the remaining debt was \$5,735,000.

Debt payable at December 31, 2009 is comprised of the following:

**Governmental Activities:**

Revenue Bonds:

Series 2009 Refunding Sales Tax Revenue Bonds, interest rate of 2% - 4% depending on length to maturing or individual bonds, final maturity is December 1, 2020. This debt is Serviced by the General Fund.	\$6,145,000
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2003 Sales Tax, paid by the "Third Penny" Fund, interest rate 3%, final maturity of August 1, 2018	\$ 830,000
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**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Series 2000A Water Project Sales Tax Revenue Bonds, interest rates of 4.25% - 5.1% depending on length to maturity of the individual bonds. Final maturity is December 1, 2010. This debt is serviced by the General Fund. 325,000

Series 2002 sales Tax revenue Bond, interest rate of 5.22%, final repayment due 2012. This is being paid by the General Fund. 720,410

2005 TIF Loan, payable by a debt service fund. Terms are \$25,000 per year, including 6% interest; matures 2017 300,000

Series 2000B Refunding Sales Tax Revenue Bonds, interest rate of 4.25% - 4.85% depending on length to maturity of individual bonds, final maturity is December 1, 2013. The Series 1993 Sales Tax Revenue bonds were called and paid in full by the proceeds of this issue. This debt is serviced by the General Fund. 610,000

Series 2008 Sales Tax Refunding Bonds, interest rates of 4%, final maturity is June 1, 2016. This debt is serviced by the General Fund. \$2,845,930

2006 TIF Loan, payable by a debt service fund. Terms are for semi-annual payments of various amounts, including 7.5% interest; matures 2020 289,110

2007 Tax Increment Revenue Bond for TIF District No. 8 loan, payable by a debt service fund. Terms are for semi-annual payments of \$103,732, including 7.25% interest; matures 2026 1,982,963

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Draws on Tax Increment Revenue Bonds,  
Series 2007 for the TIF District No. 9.  
The final loan will be for \$650,000.  
The exact terms of repayment have not been  
determined yet, but the maturity will be  
2027 with an interest rate of 7.75%. The  
loan will be repaid by a Debt Service Fund 565,616

2008 Tax Increment Revenue Bond for TIF  
District No. 10 loan, payable by a debt  
Service fund. Terms are for semi-annual  
payments at 5.49% interest, matures  
November 1, 2028 975,000

2008 7.25% Note Payable, due in 2011 but  
no later than December 31, 2027, payable  
by a debt service fund TIF #10, but  
subordinated to TIF #10 Bond above 100,000

Draws on Tax Increment Revenue Bonds,  
Series 2005. The final loan will be for  
\$3,371,514. The exact terms of repayment  
have not been determined yet, but the  
estimated maturity will be about 2020 with an  
interest rate of 3.25%. The loan will be  
repaid by a Debt Service Fund 1,338,296

Total Revenue Debt 17,027,325

Financing (Capital Acquisition) Lease:

2005 Hitchcock Park Swim Pool Annual  
Appropriations Capital Lease, due in semi-  
annual installments of \$171,849, including  
4.797% interest. Matures December 31, 2019.  
This is being repaid by the General Fund \$ 2,704,851

The purchase price at the commencement of the  
financing (capital acquisition) lease was:

Principal	\$3,650,000
Interest	<u>1,505,475</u>
	<u>\$5,155,475</u>

Other Post Employment Benefits 107,493

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2009. The compensated absences in the General Long-term Debt Account Group are currently paid from the General Fund and Park Fund.

342,697

Total Governmental Activities Debt

20,182,366

**Business-type Activities:**

Revenue Bonds:

2009 State Revolving Fund loan,  
Payable in quarterly installments  
Of \$23,316, including 2% interest,  
final maturity of July 15, 2029.  
This will be repaid by the Sewer Fund.

1,285,996

2002 State Revolving Fund loan,  
payable in quarterly installments  
of \$50,909, including interest, final  
maturity of April 1, 2024. This is being  
repaid by the Water Fund.

2,277,263

2006 Water Revenue Bonds, due in annual  
installments of \$327,226, including 7.65%  
interest, matures July 5, 2011.  
This will be repaid by the Water Fund

\$ 666,976

2005 Regional Landfill Fund loan,  
due in semi-annual installments of  
\$14,317, including 3% interest;  
maturing in 2026. The loan will be  
repaid by the Sanitation Fund

379,151

2004 Regional Landfill Fund loan, payable  
in semi-annual payments of \$13,622,  
including 3% interest. Matures 2025.  
This will be paid by the Sanitation Fund

335,726

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

2004 State Revolving Fund Loan, payable  
by the Sanitation Fund in quarterly  
installments of \$23,071, including  
interest of 3.5%, final maturity 2025.  
This will be paid by the Sanitation Fund 1,126,933

Total Revenue Debt 6,072,045

O.P.E.B. 6,081

Compensated Absences:  
The liability for compensated absences  
represents leave benefits earned as of  
December 31, 2009. This liability will be  
paid from the Enterprise Fund that  
incurred the liability 95,714

Total Business Activity Debt \$ 6,173,840

Component Unit Compensated Absences 10,482

GRAND TOTAL \$26,366,688

The annual requirements to amortize all debt outstanding as  
of December 31, 2009 excluding O.P.E.B. and compensated  
absences are as follows:

Annual Requirements to Amortize Long-term Debt  
December 31, 2009

Governmental Activities:

Year Ending	Revenue		Capital Lease		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$1,633,745	\$ 760,345	\$ 216,512	\$127,186	\$1,850,257	\$ 887,531
2011	1,640,836	682,932	227,023	116,675	1,867,859	799,607
2012	1,531,306	620,026	238,044	105,654	1,769,350	725,680
2013	1,431,831	560,667	249,600	94,098	1,681,431	654,765
2014	1,473,707	505,710	261,717	81,982	1,735,424	587,692
2015-						
2019	6,218,135	1,580,450	1,511,955	206,535	7,730,090	1,786,985



**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

9. LONG-TERM DEBT (continued)

Year Ending December 31,	Revenue		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020-						
2024	2,445,138	538,838	-	-	2,445,138	528,838
2025-						
2029	<u>652,627</u>	<u>111,724</u>	<u>-</u>	<u>-</u>	<u>652,627</u>	<u>111,724</u>
Total						
	<u>\$17,027,325</u>	<u>\$5,360,692</u>	<u>\$2,704,851</u>	<u>\$732,130</u>	<u>\$19,732,176</u>	<u>\$6,092,822</u>

Business-type Activities:

Year Ending December 31,	Revenue	
	Principal	Interest
2010	\$ 527,842	\$200,280
2011	575,813	239,813
2012	285,809	163,356
2013	295,441	153,726
2014	305,415	143,851
2015-		
2019	1,689,615	556,212
2020-		
2024	1,893,921	248,038
2025-		
2029	<u>498,189</u>	<u>44,270</u>
TOTAL	<u>\$6,072,045</u>	<u>\$1,749,546</u>

As of December 31, 2009 there were \$132,801 of Special Assessments Bonds outstanding. These will be paid solely from Special Assessment proceeds collected from citizens. The City is not liable for repayment of this debt, but is only acting as an agent for the property owners in collecting the assessments and forwarding the collections to the bondholders.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

10. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2009 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 111,981	\$ -
Soccer Fund	-	53,333
TID #8 Fund	-	3,558
Enterprise Funds:		
Water Fund	125,000	-
Sewer Fund	-	125,000
Airport Fund	-	267,651
Sanitation Fund	267,651	-
Golf Fund	-	55,000
Total	<u>\$ 504,542</u>	<u>\$ 504,542</u>

The above loans were made to compensate for a temporary cash overdraft position in the Airport Fund at year-end and to temporarily fund operations of the Soccer, TID #8, Sewer and Golf Fund. The "loans" above are legal transfers between funds as defined by SDCL 9-21-26.1. Since it was the City's intent to repay them as soon as possible, these legal transfers are classified as "loans."

Transfers for 2009 were as follows:

	<u>IN</u>	<u>OUT</u>
General Fund	\$ 575,000	\$2,554,764
Special Revenue Funds:		
Park	1,350,000	-
Entertainment tax	-	180,450
E-911	379,183	-
RSVP	55,581	-
Capital Projects Funds:		
Soccer Field	300,000	-
Enterprise Funds:		
Water	-	375,000
Sewer	-	125,000
Airport	70,000	-
Sanitation	-	75,000
Corn Palace	580,450	-
Total	<u>\$3,310,214</u>	<u>\$3,310,214</u>

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

10. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES  
(continued)

The reasons for the 2009 transfers were as follows:

To subsidize operations	<u>\$3,129,764</u>
To promote the City by promoting the Corn Palace, using Entertainment Tax	<u>\$ 180,450</u>

11. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution.

State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2009, 2008, and 2007 were \$514,502, \$476,943 and \$458,273, respectively, equal to the required contributions each year.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

12. POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description:

The City of Mitchell's Postemployment Health Care Plan is a single-employer defined benefit healthcare plan which provides medical benefits to eligible retirees and their spouses. The Plan is administered by the City of Mitchell.

Funding Policy:

The contributions of plan members and the City are established by City policy. The required contribution is based on projected "pay-as-you-go" financing requirements, with an additional amount to prefund benefits as determined annually by the City. For 2009, the City accrued a liability of \$56,787, which includes pay-as-you-go costs of \$26,832 and estimated prefunding of \$29,955.

Annual O.P.E.B. cost and Net O.P.E.B. Obligation:

The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the City's net O.P.E.B. obligation to the Plan.

Annual required contribution	\$ 56,787
Interest on net O.P.E.B. obligation	-
Adjustment to ARC	-
Annual O.P.E.B. Cost	<u>56,787</u>
Contribution made	-
Increase in net O.P.E.B. obligation	<u>56,787</u>
Net O.P.E.B. Obligation, Beginning of year	<u>56,787</u>
Net OPEB Obligation, End of year	<u>\$113,574</u>

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

12. POSTEMPLOYMENT HEALTH CARE PLAN (continued)

The City's annual OPEB cost is \$56,787 for 2009, of which the pay-as-you-go cost was 47.2% or \$26,832.

Funded Status-

The Plan is on a "pay-as-you-go" basis, therefore it is not funded as of December 31, 2009.

Actuarial Assumptions-

The December 31, 2009 actuarial valuation was compiled using the "projected unit credit" actuarial cost method. The assumptions included a 4.5% rate of return (net of administrative expenses) and an annual health-care cost trend of 9% initially, grading to 5% over 8 years. The amortization period of the unfunded liability is 30 years.

13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2009, the City managed its risks as follows:

Employee Health Insurance:

The City has established a group health self-insurance fund to pay for medical claims of city employees and their covered dependents. Payments to the fund are actuarially determined and are to cover individual claims up to \$35,000 and any administrative costs relative to the processing of the claims. Medical claims exceeding this amount are covered through a private insurance carrier. An estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

13. RISK MANAGEMENT (continued)

Changes in the aggregate liabilities of the Group Health Insurance Fund during 2009 were as follows:

Benefit Claims Payable, at beginning of year	\$ 222,764
Employees Health and Related Benefits Incurred: Attributable to Insured Events of the Current Year	1,604,997
Employee Health and Related Benefits Paid	<u>(1,529,165)</u>
Benefit Claims Payable, end of year	<u>\$ 298,596</u>

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance which covers up to \$2,000,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

13. RISK MANAGEMENT (continued)

Liability:

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's first full year	50%
End of City's second full year	60%
End of City's third full year	70%
End of City's fourth full year	80%
End of City's fifth full year	90%
End of City's sixth full year	100%

As of December 31, 2009, the City has vested balance in the cumulative reserve fund of \$226,377.

**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

13. RISK MANAGEMENT (continued)

The City carries a \$1,000 deductible for the automobile coverage and \$1,000 deductible for the general liability.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

14. CLOSURE AND POSTCLOSURE CARE COST

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as a operating expense in each period based on landfill capacity used as of each balance sheet date. The \$701,633 reported as landfills closure and post-closure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the old landfill which was closed in 2005 and 9% of the new landfill opened in 2005. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,781,000 as the remaining estimated capacity is filled. This landfill has an estimated remaining life of 45 years as of December 31, 2009. These amounts are based on what it would cost to perform all closure and post-closure care in 2009. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has contributed \$780,369 to this trust as of December 31, 2009.



**CITY OF MITCHELL**  
**NOTES TO FINANCIAL STATEMENTS**

15. CONDUIT DEBT

In prior years the City of Mitchell has issued Industrial Revenue Bonds on behalf of certain local business. The amount outstanding as of December 31, 2009 was \$4,847,514.

The City has no obligation for repayment of this debt.

16. RESTRICTED NET ASSETS

The following table shows the net assets for other purposes as shown on the Statement of Net Assets:

<u>RESTRICTION</u>	<u>RESTRICTED BY</u>	<u>Amount</u>
Insurance	Insurance policy	\$ 226,377
Debt Service	Debt Covenants	<u>1,484,267</u>
		<u>\$1,710,644</u>

17. CORRECTIONS TO BEGINNING BALANCES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
To adjust for overpayment of sales Tax from the S.D. Department of Revenue.	<u>\$ 129,659</u>	<u>\$ -</u>

18. PLEDGED REVENUES

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$2,944,239 in water system revenue bonds issued in 2002 and 2006. Proceeds from the bonds provided financing for the construction of water system infrastructure.

**CITY OF MITCHELL  
NOTES TO FINANCIAL STATEMENTS**

15. PLEDGE REVENUES (continued)

The bonds are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 70% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,756,661. Principal and interest paid for the current year and total customer net revenue were \$579,963 and \$992,784, respectively.

The City has also pledged future sewer customers' revenues, net of specified operating expenses to repay \$1,285,996 in sewer system revenue bonds issued in 2009. Proceeds from the bonds provided financing for the construction of sewer improvements.

The bonds are payable solely from sewer customer net revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bond is \$1,671,193. No principal or interest was paid for the current year.

The City has also pledged future sanitation customers' revenues, net of specified operating expenses, to repay \$1,841,810 in sanitation system revenue bonds issued in 2004 and 2005. Proceeds from the bonds provided financing for the construction of sanitation system improvements including a new landfill cell.

The bonds are payable solely from sanitation customer net revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 80% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,393,737. Principal and interest paid for the current year and total customer net revenues were \$221,849 and \$287,248 respectively.

**CITY OF MITCHELL**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$3,824,170	\$3,824,170	\$3,782,712
General sales and use taxes	9,260,000	9,260,000	8,919,746
Gross receipts taxes	175,000	175,000	190,285
Amusement taxes	2,500	2,500	1,572
Penalties and interest on delinquent taxes	6,000	6,000	6,300
Licenses and Permits	173,500	173,500	148,421
Intergovernmental Revenue			
Federal grants	353,500	593,686	230,165
State shared revenue	453,000	453,000	492,004
County shared revenues	11,000	11,000	5,842
Charges for Goods and Services			
General government	3,600	3,600	2,504
Public safety	15,800	15,800	13,264
Highways and streets	4,500	4,500	8,193
Ambulance	553,700	553,700	623,509
Cemetery	100,000	100,000	82,751
Fines and Forfeits			
Court fines	42,000	42,000	43,722
Miscellaneous Revenue			
Investment earnings	249,000	249,000	50,813
Special assessments	2,750	2,750	5,081
Contributions and donations from private sources	140,000	140,100	2,623
Other	63,153	63,153	107,482
Total Revenue	15,433,173	15,673,459	14,716,989

The accompanying notes to required supplemental information  
are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

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(\$41,458)

(340,254)

15,285

(928)

300

(25,079)

(363,521)

39,004

(5,158)

(1,096)

(2,536)

3,693

69,809

(17,249)

1,722

0

(198,187)

2,331

(137,477)

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44,329

---

(956,470)

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**CITY OF MITCHELL**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amount
	Original	Final	(Budgetary Basis)
<b>EXPENDITURES:</b>			
General Government			
Legislative	\$128,549	\$128,549	\$128,422
Contingency	50,000	50,000	0
Amount tranferred	0	(43,650)	0
Executive	30,040	30,040	27,917
Elections	7,000	7,000	4,256
Financial administration	1,137,485	1,171,560	1,037,505
Other	175,764	204,630	138,341
Public Safety			
Police	3,100,107	3,322,146	2,772,383
Fire	1,478,745	1,486,212	1,365,595
Public Works			
Highways and streets	3,563,899	4,542,485	3,123,951
Cemeteries	216,666	246,591	210,372
Health and Welfare			
Health	115,207	115,207	107,012
Humane society	119,600	119,600	98,650
Ambulance	514,192	523,892	429,250
Culture and Recreation			
Recreation	173,435	350,005	231,820
Libraries	682,535	682,535	531,475
Conservation and Development			
Economic development and assistance	183,900	183,900	183,900
Debt Service	2,006,073	2,201,973	2,033,616
<b>Total Expenditures</b>	<b>13,683,197</b>	<b>15,322,675</b>	<b>12,424,465</b>

The accompanying notes to required supplemental information  
are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

---

\$127  
50,000  
(43,650)  
2,123  
2,744  
134,055  
66,289

549,763  
120,617

1,418,534  
36,219

8,195  
20,950  
94,642

118,185  
151,060

0  
168,357

---

2,898,210

---

**CITY OF MITCHELL**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amount
	Original	Final	(Budgetary Basis)
Excess of Revenue over (under)			
Expenditures	<u>\$1,749,976</u>	<u>\$350,784</u>	<u>\$2,292,524</u>
Other Financing Sources (Uses)			
Transfers-in	575,000	575,000	575,000
Transfers-out	(2,554,081)	(2,607,081)	(2,554,764)
Sale of fixed assets	5,000	8,933	0
Proceeds of long-term debt	0	6,251,000	6,235,000
Payments to refunded debt-escrow agent	0	(6,145,200)	(6,145,163)
Total Other Financing Sources (Uses)	<u>(1,974,081)</u>	<u>(1,917,348)</u>	<u>(1,889,927)</u>
Net Change in Fund Balances	<u>(224,105)</u>	<u>(1,566,564)</u>	<u>402,597</u>
FUND BALANCE Beginning as previously reported	5,491,126	5,491,126	5,491,126
Correction for sales tax	<u>(129,659)</u>	<u>(129,659)</u>	<u>(129,659)</u>
FUND BALANCE-Beginning as adjusted	<u>5,361,467</u>	<u>5,361,467</u>	<u>5,361,467</u>
FUND BALANCE-Ending	<u><u>\$5,137,362</u></u>	<u><u>\$3,794,903</u></u>	<u><u>\$5,764,064</u></u>

The accompanying notes to required supplemental information  
are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

---

\$1,941,740

0

52,317

(8,933)

(16,000)

37

27,421

1,969,161

0

0

0

\$1,969,161



**CITY OF MITCHELL**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE**  
**-PARK FUND - BUDGETARY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Charges for Goods or Services:			
Culture and recreation	\$884,550	\$884,550	\$834,817
Miscellaneous Revenue:			
Contributions from private sources	0	42,777	78,634
Other	0	7,983	3,398
Total Revenues	884,550	935,310	916,849
Expenditures:			
Culture and Recreation:			
Recreation	1,456,198	1,566,654	1,437,583
Parks	889,133	977,911	801,967
	2,345,331	2,544,565	2,239,550
Excess (deficiency) of Revenues over Expenditures	(1,460,781)	(1,609,255)	(1,322,701)
Other Financing Sources (Used):			
Transfers - in	1,380,000	1,380,000	1,350,000
Net change in fund balance	(80,781)	(229,255)	27,299
FUND BALANCE, January 1, 2009	168,101	168,101	168,101
FUND BALANCE, December 31, 2009	\$87,320	(\$61,154)	\$195,400

The accompanying notes to required supplemental information  
are an integral part of this schedule.

Variance with  
Final Budget

(\$49,733)

35,857  
(4,585)

(18,461)

129,071  
175,944  
305,015

286,554  
(30,000)

256,554

0

\$256,554

**CITY OF MITCHELL  
OTHER POST EMPLOYMENT BENEFITS  
FUND PROGRESS  
DECEMBER 31, 2009**

**Funded Status and Funding Progress**

	Valuation Date January 1, 2009
Actuarial Accrued Liability (AAL)	\$488,857
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	488,857
Funded Ratio	0.00%
Covered Payroll (active plan members)	6,483,429
UAAL as a Percentage of Covered Payroll	7.50%

See accompanying notes to required supplemental information  
are an integral part of this schedule.

**CITY OF MITCHELL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General and Park Fund.
7. Budgets for the General and Park Fund are adopted on a basis consistent with generally accepted accounting practices (GAAP).

**CITY OF MITCHELL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Expenditures</u>
Department of Transportation:			
Direct Federal Funding:			
Airport Improvement Program (Note 2)	20.106	N/A	\$352,690
Airport Improvement Program (Note 2)	ARRA 20.106	N/A	5,849,536
Indirect Federal Funding:			
S. D. Department of Transportation:			
Highway Planning and Construction	20.205	N/A	14,194
Recreational Trails Program	ARRA 20.219	N/A	4,666
Federal Transit Grant	20.500	N/A	16,919
Formula Grants other than Urbanized Areas	20.509	N/A	704,621
S. D. Department of Commerce and Regulation- State and Community Highway Safety	20.600	N/A	<u>15,259</u>
Total Department of Transportation			<u>6,957,885</u>
General Services Administration:			
Indirect Federal Funding:			
S. D. Federal Property Agency, Donation of Federal Surplus Personal Property (Note 3)	39.003	N/A	<u>4,568</u>
Environmental Protection Agency:			
Indirect Federal Funding:			
S.D. Department of Environment and Natural Resources, Capitalization Grants for Clean Water State Revolving Funds (Federal Portion) (Note2)	66.458	N/A	<u>452,184</u>
Department of Health and Human Services:			
Indirect Federal Funding:			
S. D. Department Transportation:			
Special Programs for the Aging Title III, Part B Grants for Supportive Service and Senior Center	93.044	N/A	23,376
Special Programs for the Aging Title III, Part C-Nutrition Services	93.045	N/A	108,097
Nutrition Services Incentive Program	93.053	N/A	<u>39,427</u>
Total Department of Health and Human Services			<u>170,900</u>

Corporation for National and Community Service:

Community Service:

Direct Federal Funding:

Retired Senior Volunteer  
Program

94.022

N/A

86,868

Department of Justice:

Indirect Federal Funding:

S.D. Department of Corrections,

Bulletproof Vest Program

16.607

N/A

3,350

Alcohol Safety Task Force

16.727

N/A

13,993

Internet Crimes Against Children

Task Force (Note 2)

ARRA 16.800

N/A

9,000

Edward Byrne Memorial Justice

ARRA 16.804

N/A

45,612

Assistance Grant (JAG)

Total Department of Justice

71,955

Department of Homeland Security:

Indirect Federal Funding:

S.D. Department of Public Safety

Office of Emergency Management

Staffing Adequate Fire and Emergency Response

(SAFER)

97.044

N/A

122,240

Total Department of Homeland Security

122,240

GRAND TOTAL

\$7,866,600

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2: This represents a Major Federal Financial Assistance Program

Note 3: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City

**CITY OF MITCHELL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

1. SUMMARY OF AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements.
- b. No material instances of noncompliance were noted by the audit.
- c. An unqualified opinion was issued on compliance with the requirements applicable to major programs.
- d. My audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- e. The federal awards tested as major programs were:

Internet Crimes Against	
Children Task Force	CFDA 16.800
Airport Improvement Program	CFDA 20.106
Airport Improvement Program	CFDA ARRA 20.106
Capitalization Grants for	
Clean Water SRF	CFDA 66.458

- f. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- g. The City of Mitchell did qualify as a low-risk entity.

2. FINANCIAL STATEMENT FINDINGS

NONE

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**CITY OF MITCHELL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

There were no audit findings or questioned costs for the year ended December 31, 2008.